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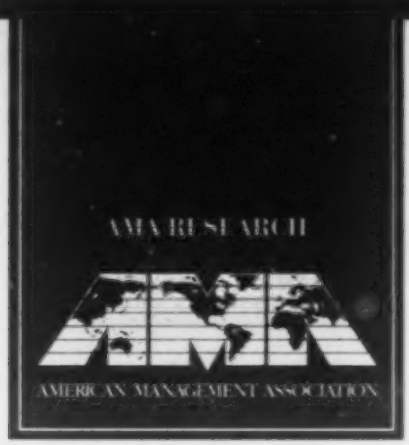

1993 AMA Survey on Downsizing and Assistance to Displaced Workers

A Research Report published
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AMA Research Reports

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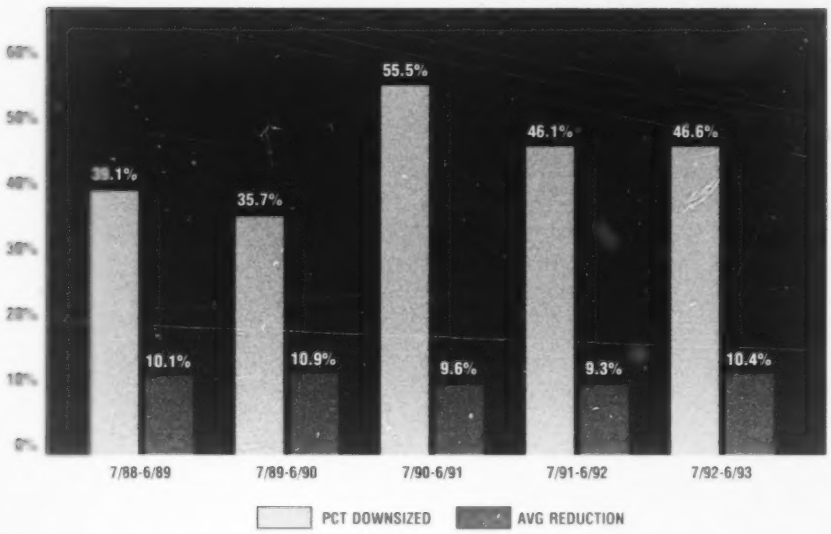
AMA RESEARCH

AMERICAN MANAGEMENT ASSOCIATION

Downsizing and Assistance to Displaced Workers

The results of AMA's seventh annual survey on workforce reductions bear a remarkable similarity to the previous year's findings. The share of respondent firms that downsized in the period July 1992-June 1993 (46.6%) was almost identical to last year's 46.1%, although the cuts were somewhat deeper, averaging 10.4% of the workforce, compared with 9.3% previously. Recessionary pressures played a virtually identical role: an actual or anticipated business downturn was a rationale for 66% of this year's reported reductions, compared with 64% last year.

Downsizing: The Five-Year Trend



But if particular findings changed little, overall trends were confirmed. Increasingly, exempt non-hourly positions are the targets in workforce reductions, and this year, for the first time, a majority of jobs eliminated belonged to supervisors, middle managers, professionals, and technicians. Concurrently, we saw the share of companies offering outplacement assistance to discharged workers at a seven-year high.

The repetitive nature of workforce reductions was also confirmed: 48% of surveyed firms have downsized in two or more calendar years since 1988, and 26% have done so in three or more different years. And again we found a mixed bag of results: fewer than half of the organizations that have downsized since 1988 report increased operating profits, and only a third say that worker productivity has increased.

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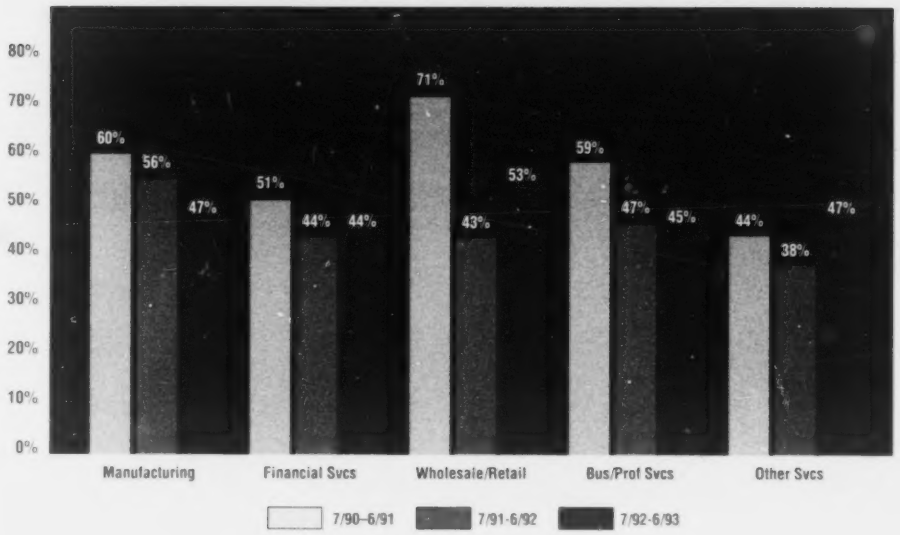
Summary of Key Findings

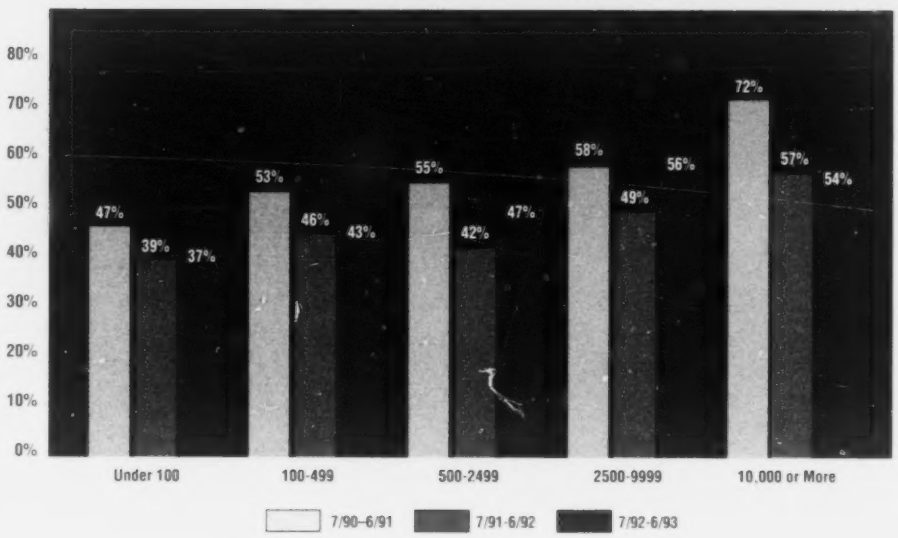
Manufacturers reported fewer cuts, but this was offset by greater reductions among wholesale and retail traders and providers of general services. Forty-seven percent of private-sector companies downsized, compared with 44% of nonprofit organizations.

Geographically, the Pacific Coast reported the most reductions (56%); the Midwest, the least (39%).

Downsizing—by Business Category



Downsizing—by Organizational Size



As in previous surveys, large companies were more likely to make reductions, but smaller ones cut more deeply when they downsized.

Among companies making cuts, 60% concurrently added positions in other units and localities. As a result, 13% of the firms reporting reductions realized a net **gain** in total employees over the period, and 17% had no net change. Among all firms that downsized, the average net change in the size of the workforce was -8.4%.

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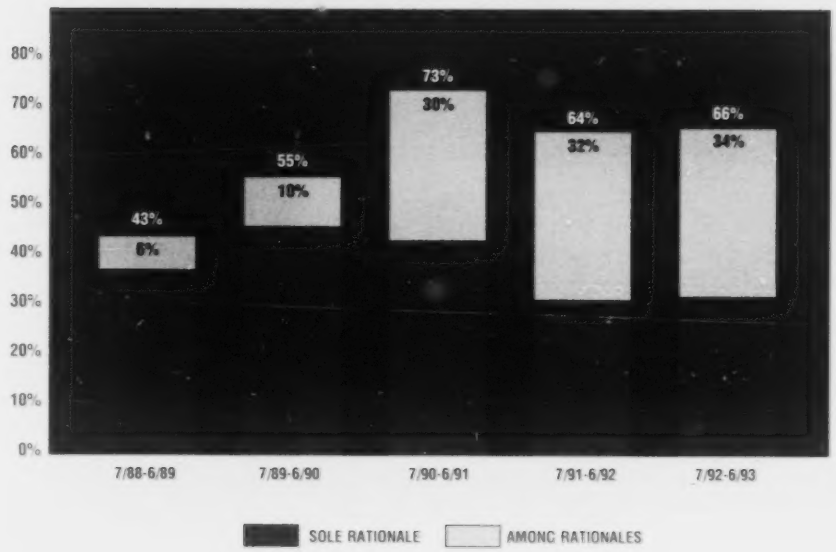
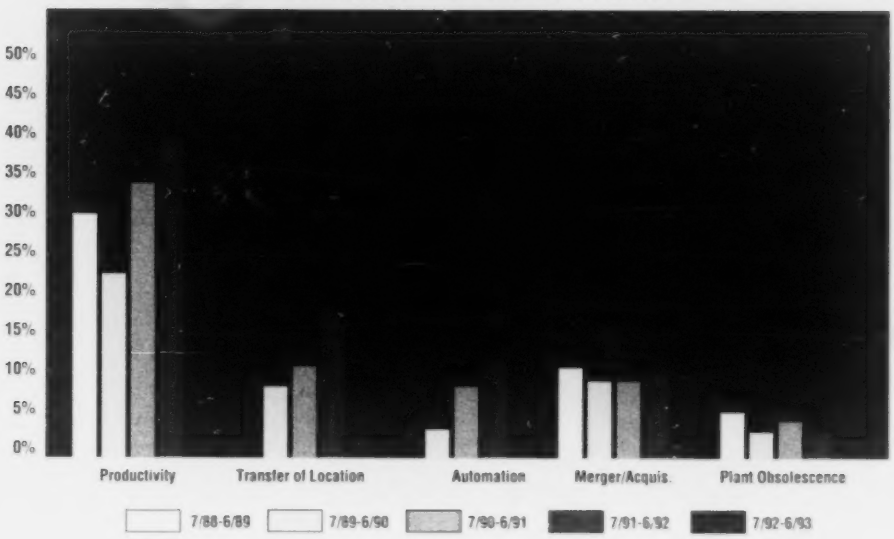
Why Cuts Were Made: An actual or anticipated business downturn was the sole reason behind 32% of reported reductions and a contributing rationale in another 34%. Among those in this category, 41% cited a business downturn national in scope; 9% cited regional or local conditions; 35%, a downturn specific to the respondent's industry; and 11%, a problem specific to the respondent firm.

Recession as Rationale for Downsizing.



Other Rationales for Downsizing.



Previous upward trends modified in the share of reductions ascribed to increased productivity, automation, and transfers of work or production to other locations.

Automation or other new technological processes are no longer the exclusive concern of assembly-line workers. Information technology increasingly threatens white collar jobs. Seventeen percent of the financial services firms that downsized cited automation as a contributing factor, compared to just 11% of manufacturers.

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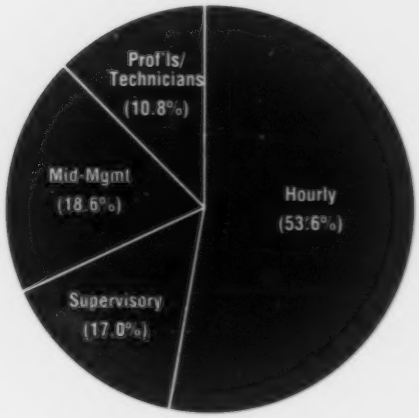
Where Cuts Were Made: For the first time in the AMA's survey's seven-year history, a majority of the jobs eliminated belonged not to hourly workers but to exempt non-hourly employees: supervisors, middle managers, professionals, and technicians. On average, 45% of the jobs cut between July 1992 and June 1993 were hourly positions; 15%, supervisory; 19%, mid-management; and 20%, professional or technical.

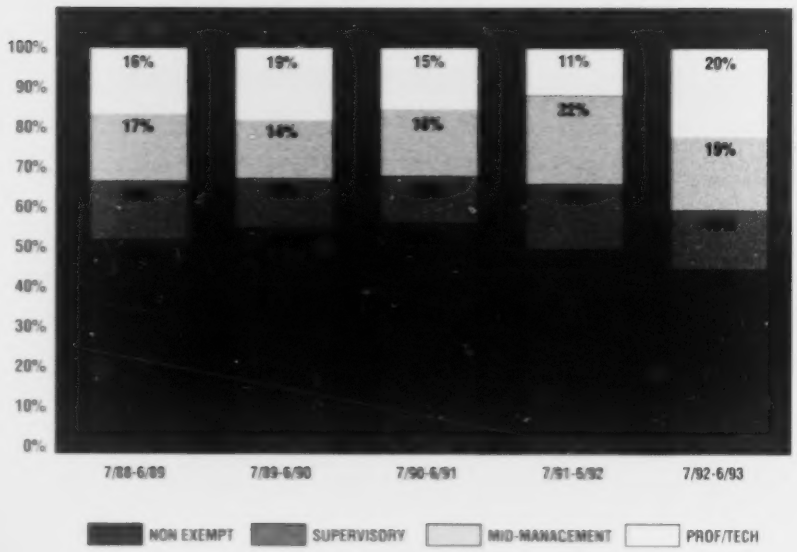
Jobs Eliminated —By Level
1988-1993



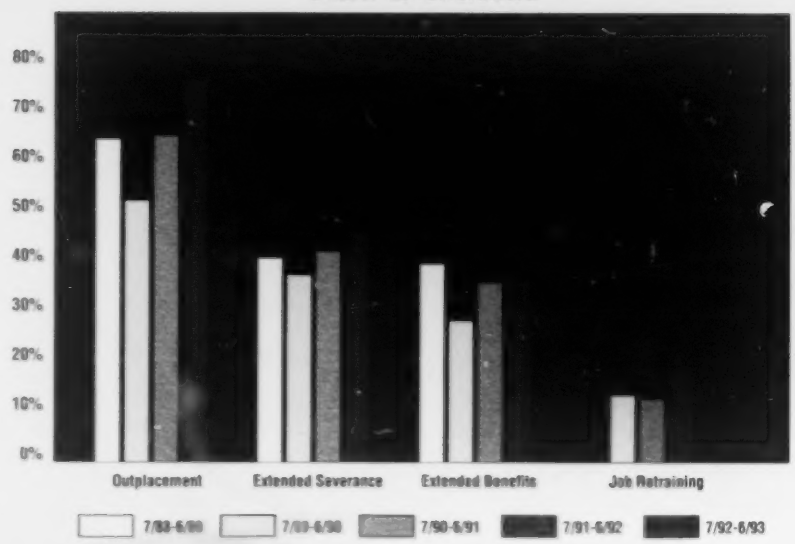
Middle managers continue to be special targets. Although middle managers make up between 5% and 8% of the American workforce, they held 19% of the 335,000 identified jobs eliminated by AMA respondent firms over the past five years.

Forms of Assistance: 78% of the firms that downsized offered at least some form of outplacement assistance to at least some discharged workers; 52% gave such assistance to **all** discharged workers, up from 45% a year ago. But help varies from full professional assistance by outplacement specialists to quick courses in resume writing.

Avg Pct of Jobs Eliminated—By Level



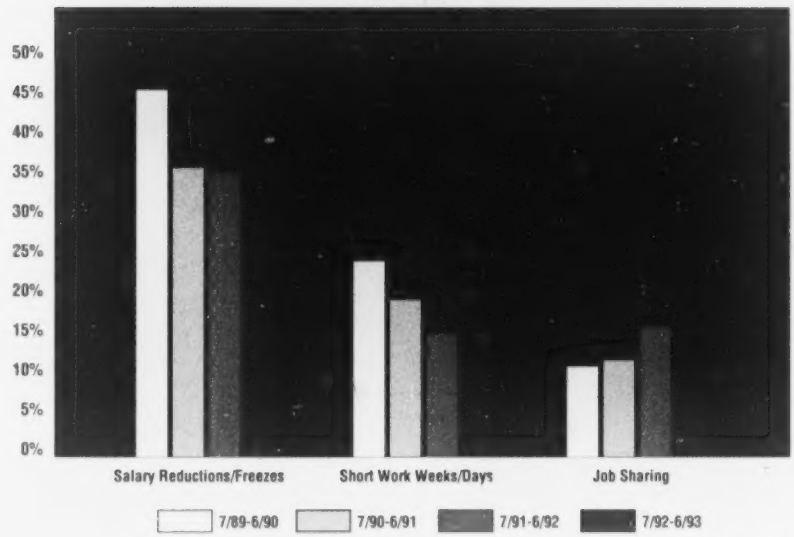
Forms of Assistance



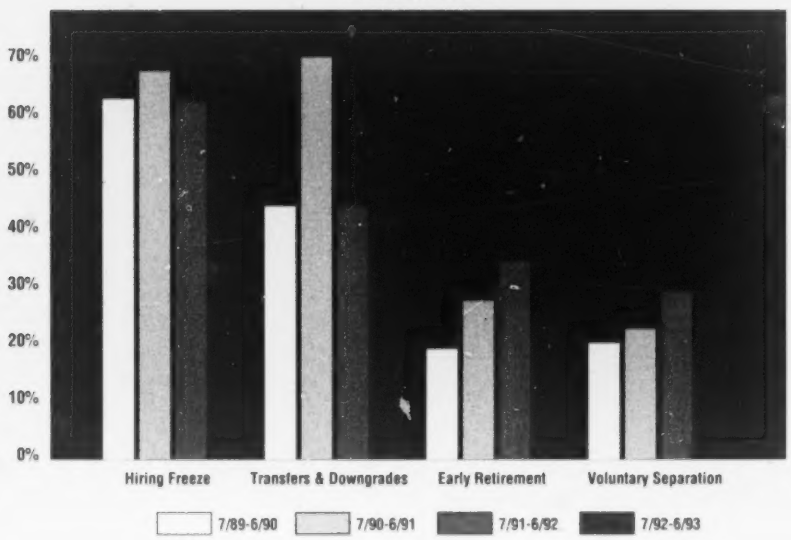
The fall-off in job retraining reflects fewer cuts among manufacturers and more among wholesale and retail traders.

Fewer companies are embracing policies that "share the pain" and reduce the necessity for layoffs, such as salary reductions and shortened work time. Just the opposite: 48% of firms reporting cuts say they have extended working hours and/or overtime as an alternative to new hiring.

"Sharing the Pain"



Other Actions



Among other actions to alleviate reductions, only voluntary separation plans show continuous growth. The survey found a reversal of a three-year upward trend in the share of firms that offered early retirement packages.

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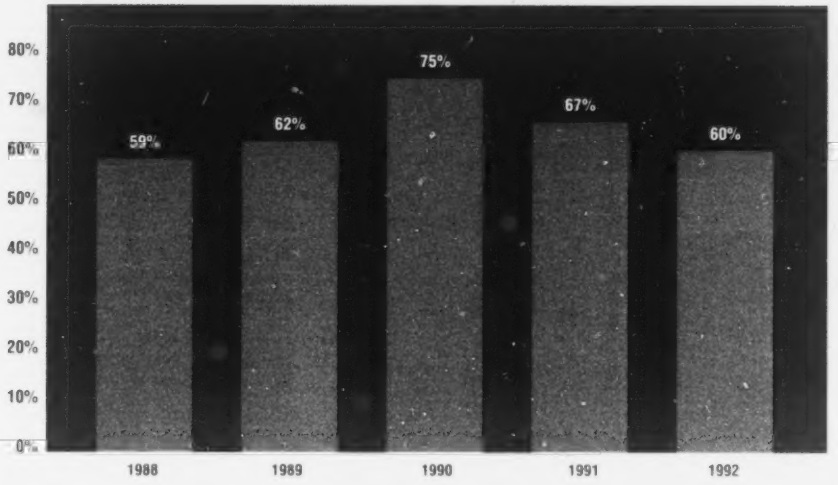
Ongoing Nature of Reductions



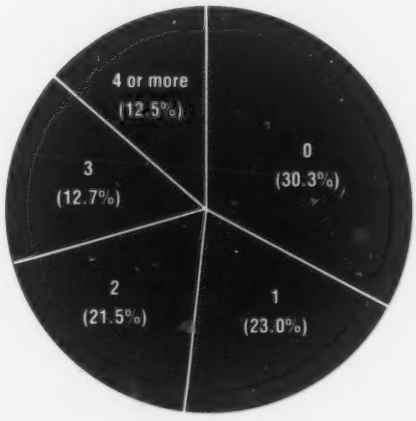
OF COMPANIES DOWNSIZING IN GIVEN YEAR, PCT DOWNSIZED IN FOLLOWING YEAR

Downsizing as an Ongoing Measure: Companies that undergo workforce reductions tend to repeat the exercise, and quickly. On average, 65% of the firms that cut workers in a given calendar year do so again the following year.

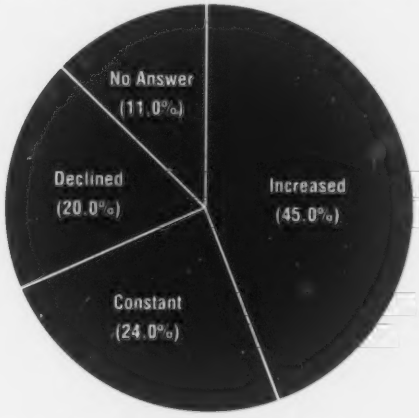
Nearly half (48%) of the current sample have made cuts in two or more of the past six calendar years. Some companies stretch out an announced reduction in force over two or more years; others find new targets.

Fewer than half of all surveyed firms (45%) have a larger workforce today than in January 1988; 37% employ fewer people, and 14% report no net change. The sample's largest firms — those that employ 10,000 or more workers — together employ 3.5% fewer people than in January 1988.

Downsizing: How Many Rounds?

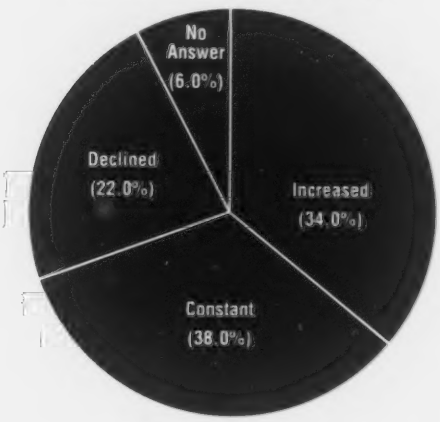


After-Effects on Operating Profits



After-Effects of Downsizing: The goals of increased profits and greater productivity continue to prove elusive. Fewer than half of the firms that have downsized since January 1983 report that profits have increased; one in five said profits declined. But profit levels are affected by many variables unconnected to workforce reductions.

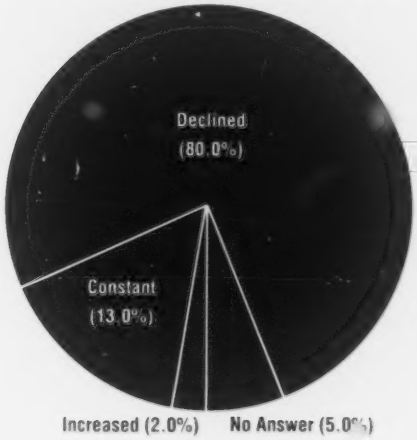
After-Effects on Productivity



Just one-third of respondent firms that have downsized over the same period report an increase in worker productivity.

Profits and productivity are tied together: Among firms reporting an increase in productivity, 60% said profits rose, and only 12% said they fell. Among firms reporting a decline in productivity, only 35% said profits went up, while 34% said they fell.

After-Effects on Employee Morale



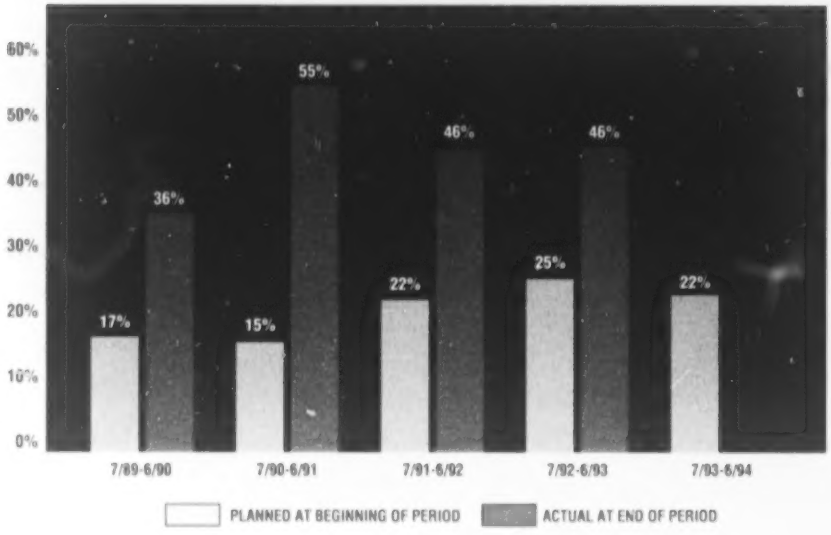
The surest after-effect is declining workforce morale, which affects productivity and, in turn, profits.

The more frequently companies have downsized, the greater the impact, both positive **and** negative. Profits rose at 42% and fell at 14% of companies that downsized only **once** since January 1983; they rose at 47% but fell at 22% of companies that have downsized three times or more.

Planned Reductions: As of July 1993, 22% of respondent firms reported plans to cut jobs by June 1994. But this does not indicate fewer cutbacks in the future: a year ago, 25% of respondent firms reported such plans, but 46% actually made cuts during the twelve-month period.

Typically, the actual share of companies that downsize over a survey period is double — and in some years triple — the share that report plans at the outset of the period. Larger firms tend to set plans well in advance; smaller ones move more quickly.

DOWNSIZING: PLANNED VS. ACTUAL



In some regards the survey found a return to pre-recessionary patterns, especially in the focus on exempt workers and a falloff (to 37% from 42%) in the share of reductions described as "organization-wide," as opposed to those targeted at specific functions or worksites.

Downsizing is not the child of recession; a third of respondent companies reported reductions in our inaugural 1986-87 survey. Reductions were more widespread at the height of the 1990-91 recession, but they continued into the recovery, and a third of the cuts reported in this year's survey had nothing to do with current market conditions. In major American companies, downsizing has become an ongoing corporate activity that shows no sign of abating.

About this Survey

The 1993 AMA questionnaire on downsizing and assistance to displaced workers was mailed on July 1, 1993, to human resources managers who are AMA members or work in AMA-member companies. By August 16 we had received 870 usable responses.

An AMA membership poll is not reflective of the American economy as a whole. Only 2% of the nation's incorporated businesses gross as much as $10 million annually; of this survey sample 90% have annual sales of $10 million or more. Also, while 20% of American businesses are engaged in manufacturing, 51% of this survey's sample are manufacturers. The current sample is not identical to those of previous years, but is sufficiently similar to allow year-to-year comparisons.

The sample presents the following statistical profile:

Business Category

- Manufacturing 50.9%
- Wholesale and Retail Trade 4.6%
- Financial Services 6.0%
- Business & Professional Services 9.5%
- Other Services - for profit 13.7%
- Other Services - nonprofit 14.7%
- Total Services 48.5%
- Unclassified and Unclassifiable Establishments 6%

Annual Sales (or operating budget, if nonprofit)

- Under $10 million 9.3%
- $10-$49 million 24.8%
- $50-$249 million 30.6%
- $250-$499 million 9.9%
- $500 million or more 18.7%
- Not Reported 6.3%

Total Number of Employees

- Fewer than 100 ..... 8.5%
- 100 to 499 ..... 34.0%
- 500 to 2,499 ..... 33.2%
- 2,500 to 9,999 ..... 15.4%
- 10,000 or more 8.7%
- Not Reported 1.0%

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News

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1993 AMA SURVEY ON DOWNSIZING

Summary of Key Findings

Workforce reductions rose ever so slightly in the twelve months ending June 1993, with 47% of surveyed companies reporting cuts, compared with 46% in the preceding twelve months. Sixty-six percent cited a business downturn as a primary rationale for the action, slightly above the previous period's 64% but down from 73% at the height of the 1990-91 recession. The reductions cut somewhat deeper than the year before (an average 10.4% of the workforce, compared with 9.3% previously).

The five-year trend:

	Survey Period				
	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Workforce reductions (pct)	46.6	46.1	55.5	35.7	39.1
Avg reduction of workforce (pct)	10.4	9.3	9.6	10.9	10.1

Downsizing tends to be repetitive as companies seek an irreducible core of permanent employees. On average, 65% of the firms that downsize in a given year do so again the following year. Sixty-nine percent of the current sample have downsized at least once since January 1988; 48%, at least twice; 26%, three times or more.

Business Category: For the second time in the past three years, wholesale and retail traders led in reported reductions. Downward trends continued among manufacturers and providers of business and professional services. The findings by business category:

	7.92-6.93		7.91-6.92		7.90-6.91	
Category	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce
Manufacturing	47.2	11.3	55.7	10.6	60.4	10.4
Financial Svcs	44.2	8.4	44.0	9.2	51.3	9.4
Wholesale/Retail	52.5	10.8	43.2	9.2	71.2	11.1
Bus/Prof Svcs	44.6	12.1	47.2	13.1	59.2	11.5
Other Svcs	47.1	10.2	37.7	6.3	43.8	6.3

Geographic: While the share of companies reporting reductions was very close to the previous survey's findings, cuts were deeper everywhere but in the Mid-Atlantic states. Breakouts for the past three survey periods:

	7.92-6.93		7.91-6.92		7.90-6.91	
Region	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce
New England	50.7	10.3	47.4	7.2	64.5	9.1
Mid Atlantic	52.9	9.2	48.0	9.5	62.1	9.7
Midwest	39.1	9.9	42.3	8.3	56.2	9.4
South	41.2	9.1	37.3	8.0	54.2	8.2
West	50.0	13.3	56.6	11.3	36.1	7.4
Pacific	56.3	12.7	58.9	12.5	57.8	12.6

Organizational Size: Larger companies were more likely to trim jobs than smaller ones, but small firms cut more deeply when they downsized. The findings by number of employees:

	7.92-6.93		7.91-6.92		7.90-6.91	
Employees	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce
Under 100	36.5	19.4	39.3	21.7	47.2	18.0
100 to 499	42.6	11.9	46.0	12.1	53.4	10.9
500 to 2,499	46.7	9.1	42.0	9.3	54.9	9.5
2,500 to 9,999	56.0	8.0	49.0	7.2	58.0	6.1
10,000 or more	54.0	8.2	57.0	8.8	71.8	3.4

Employee Level: For the first time, more than half the jobs eliminated belonged to exempt (non-hourly) workers: supervisors, managers, professionals, and technicians. Middle managers continue to be special targets: while making up 5% to 8% of the workforce, middle managers held 19% of 335,000 positions eliminated by AMA respondent firms since July 1988. The profile of the cuts by level:

Avg Pct of Jobs Cut That Were:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Hourly	45.2%	50.5%	56.6%	55.5%	51.6%
Supervisory	15.0%	16.7%	12.4%	12.0%	14.8%
Middle Management	19.3%	21.8%	16.3%	13.5%	17.2%
Professional/Technical	20.3%	11.0%	14.8%	19.1%	16.4%

Union Jobs: In unionized shops, an average 23% of jobs cut belonged to union members. Among all respondents, the average was 10%. Unionized workers represent some 15% of the U.S. workforce.

Net Changes: Sixty percent of the firms that downsized (i.e., eliminated jobs) in the period concurrently hired new workers in other units or locations. As a result, 13% of companies reporting cuts realized a net gain in employees over the twelve months, and 17% reported no net change. But the rest had a net decrease of 13.9%, and among all companies reporting cuts the average net change was -8.4%.

Companies that have downsized since January 1988 -- 70% of the whole sample -- are cautious in new hiring: half say that they have extended working hours and/or overtime for present employees as an alternative to new hiring.

Rationales and Descriptors: An actual or anticipated business downturn was the sole cause cited for 32% of the reported reductions, and a contributing factor in 34%; the total of 66% is a slight increase from the previous survey. The five-year trend (pcts are of firms that downsized):

Recession Cited As:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Sole cause	31.6%	31.4%	43.2%	45.3%	36.6%
Contributing cause	34.1%	32.2%	29.9%	9.7%	6.2%
Total	65.7%	63.6%	73.1%	55.0%	42.8%

Previous upward trends modified in the share of reductions ascribed to increased productivity, automation, and transfers of production to other locations. The five-year trend (pcts are of firms that downsized; totals exceed 100% due to multiple answers; NA indicates the question was not asked in the survey period):

Rationales:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Business downturn (actual or anticipated)	65.7%	63.6%	73.1%	55.0%	42.7%
Improved staff utilization (productivity)	37.5%	40.0%	33.9%	23.2%	30.2%
Merger or acquisition	9.7%	10.1%	8.5%	9.2%	10.6%
Plant or office obsolescence	2.5%	3.1%	3.6%	2.5%	5.2%
Automation or other new technology	11.4%	12.2%	8.1%	3.4%	NA
Transfer of production or work	14.3%	17.9%	10.5%	7.6%	NA

The period saw a reversal of a four-year trend towards across-the-board cuts, affecting most corporate units, and an increase in specifically targeted reductions. The five-year trend (pcts are of firms that downsized; totals exceed 100% due to multiple answers):

Descriptors:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Organization-wide	37.0%	41.8%	36.0%	34.0%	30.2%
Targeted at specific functions or locales	56.5%	53.3%	57.6%	56.3%	65.6%
Involving plant or office closings	6.9%	11.7%	9.5%	8.3%	7.1%

Future Cuts: Twenty-two percent of respondents firms plan reductions before the end of June 1994. Typically, the share of respondents reporting cuts at the end of the period is double (and sometimes triple) the share reporting plans in hand at the beginning of the period. Larger firms are far more likely than smaller ones to plan cuts up to a year in advance. The five-year trend:

	Report Planned Reductions as of:				
	6.93	6.92	6.91	6.90	6.89
Pct reporting planned reductions	21.6	25.1	22.0	15.3	16.6
Pct downsized, following year	?	46.6	46.1	55.5	35.7

Actions to Reduce Layoffs: Among the actions companies take to alleviate workforce reductions, only voluntary separation plans show a continuous upward trend. Policies that seek to "share the pain" -- shortened work weeks, job sharing, and salary freezes or reductions -- are on the decline. The five-year trend (pcts are of firms that downsized):

Action	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Hiring Freeze	63.7%	61.6%	68.1%	62.8%	NA
Demotions/downgrades/transfers	45.2%	44.2%	69.5%	44.1%	38.5%
Salary reductions or freezes	29.1%	35.1%	36.2%	46.2%	NA
Early retirement incentives	27.9%	34.3%	26.5%	19.3%	29.9%
Voluntary separation plans	28.9%	28.6%	23.4%	19.5%	16.7%
Voluntary job sharing	8.2%	15.8%	11.7%	11.0%	20.8%
Mandatory short work week/day	11.4%	15.3%	19.4%	24.1%	NA
Limited duration furloughs	10.4%	13.8%	13.3%	NA	NA

Forms of Assistance: The reported rise in outplacement assistance requires a cautionary note. The figure includes firms that gave any level of assistance to any displaced worker. Only 45% of companies that downsized offered outplacement aid to all those fired (although that compares favorably with the 30% reported three years ago).

Moreover, actual assistance can vary from full services by a professional outplacement firm to mimeographed handouts featuring tips on writing resumes. Managers are far more likely to receive professional outplacement help than nonexempts. The five- year trend (pcts are of firms that downsized):

Action	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Outplacement assistance	78.3%	77.1%	65.3%	52.2%	63.9%
Extended severance pay	44.4%	45.1%	41.0%	37.2%	40.1%
Extended health benefits	41.5%	36.9%	36.0%	27.1%	38.7%
Job retraining	10.6%	17.7%	12.1%	12.9%	NA

After-Effects of Downsizing: Fewer than half the firms that have downsized since January 1988 report that profits increased after the cuts were made, and only a third reported increases in worker productivity. Almost invariably, worker morale suffered. The more frequent the cuts, the greater the effects -- both positive and negative -- on profits, productivity, and employee turnover:

	Number of calendar years in which company reported downsizing (1988-1993)			
Operating Profits	1	2	3 or more	Total
Declined	14%	25%	22%	20%
Remained constant	26%	23%	24%	24%
Increased	42%	44%	47%	45%
Worker Productivity	**1**	**2**	**3 or more**	**Total**
Declined	19%	21%	26%	22%
Remained constant	38%	44%	34%	38%
Increased	32%	30%	38%	34%
Employee Morale	**1**	**2**	**3 or more**	**Total**
Declined	71%	80%	87%	80%
Remained constant	16%	14%	9%	13%
Increased	3%	3%	2%	2%
Employee Turnover	**1**	**2**	**3 or more**	**Total**
Declined	19%	21%	33%	25%
Remained constant	56%	55%	45%	52%
Increased	15%	20%	21%	19%

Growth and Contraction: Fewer than half of all surveyed firms (45.3%) have increased their workforce since January 1988; 37% employ fewer people today than they did five years ago, and an additional 14% report no workforce growth. The sample's largest firms -- those with a workforce of 10,000 or more -- together employ 3.5% fewer workers today than in January 1988.

The AMA Sample: 870 human resources managers in AMA-member companies received the questionnaire in July 1993 and returned it by August 16. The respondent base is an accurate sampling of AMA's total corporate membership of 7,000 organizations, which in toto employ one-fourth of the American workforce. 90% of surveyed firms gross more than $10 million annually, which puts them in the top two percent of U.S. corporations. 51% are manufacturing firms, whereas only 20% of U.S. corporations are manufacturers.

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1993 AMA Report on International Management

East-West Management in the New Europe

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AMA Research Reports

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AMA RESEARCH

AMERICAN MANAGEMENT ASSOCIATION

East-West Management in the New Europe

As a new era dawns in Central and Eastern Europe, companies from the West sense an opportunity unique in modern history. But that opportunity is fraught with challenges that are equally unprecedented. The people east of the old Iron Curtain are culturally advanced, and their economies, though state-controlled for three generations, are based (like those of the West) upon industrial production and technological services, however they compare to Western standards.

But in the new Europe, the gulf between Eastern and Western management practices is vast. Entire management disciplines — finance, marketing, even general management itself — are not well developed, and their practice bears little resemblance to familiar Western procedures.

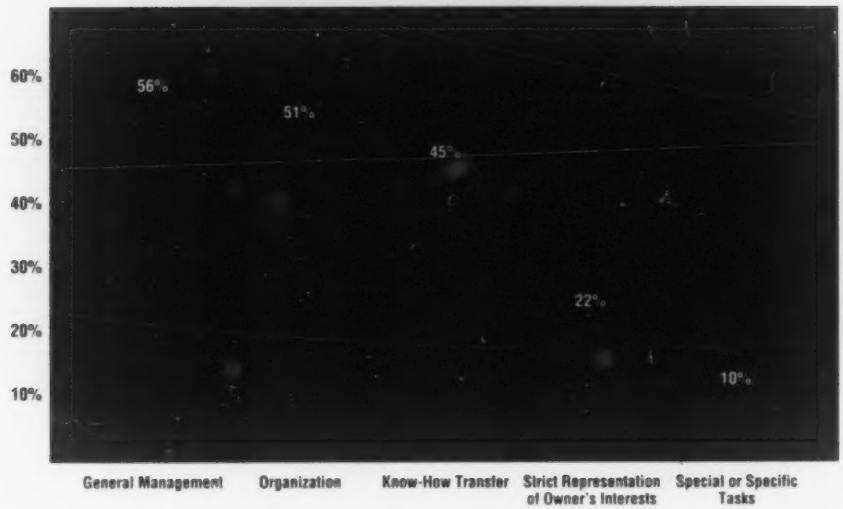
Even more vital are the interpersonal factors when Western managers arrive in Central and Eastern Europe to organize and supervise a local management team. Huge differences in work experience must be recognized and reconciled.

This report is based upon interviews with Western managers assigned to enterprises in Hungary, Czechoslovakia, and Poland, and with Eastern managers at work in those same enterprises.

The interviews were carried out under the direction of Dr. Tomas Toth of H. Newmann International Central and Eastern Europe, an executive search and human resources management consulting firm headquartered in Vienna. According to Dr. Toth, the aim of the study was "to prepare an information document based on the experience, opinions, and viewpoints of both Western and East European managers, and on results attained so far which could, with particular reference to how things stand in the middle of 1993, effectively contribute to the acceleration of the cooperative process between them, and thereby to the overall transformation of East European economies into market economies."

AMA is pleased to present highlights from this in-depth study, which identifies many compelling difficulties in this historic effort to integrate two radically different economies, but which strikes an overall note of optimism about the eventual outcome.

Western Managers: The Mission Abroad



The Western Mission: Managers trained in the West were sent to Central and Eastern Europe with a general, rather than specialized, mission. According to Western managers, their portfolios emphasized the introduction of general management practices and basic business organization above special or specific tasks.

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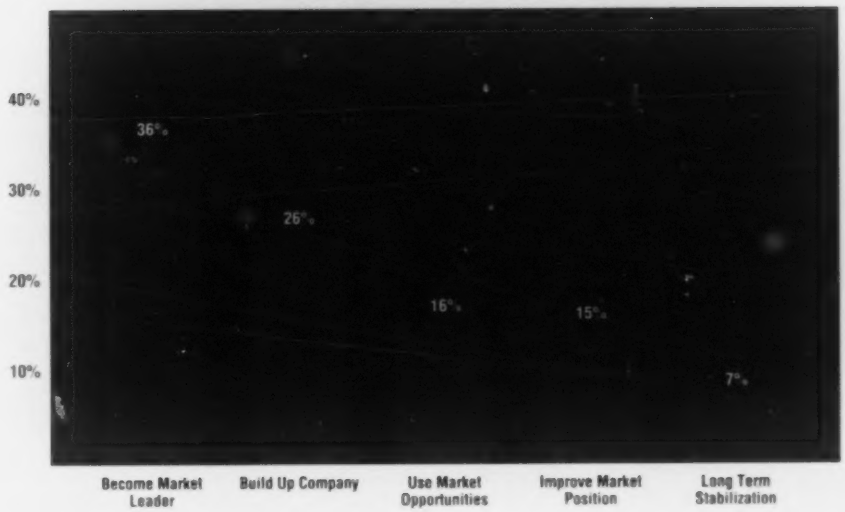
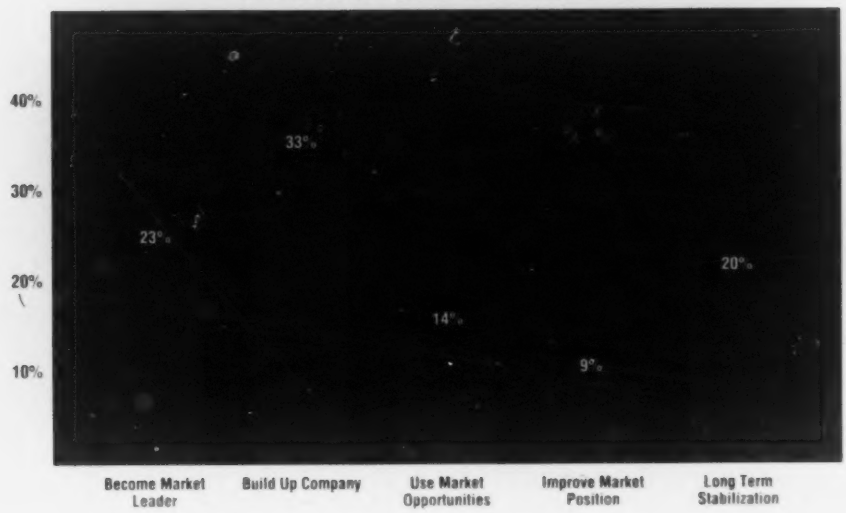
The Strategic Goals: Companies sending their managers East were eager to establish themselves as market leaders. Statistical findings indicate a belief among Western managers that progress towards this goal would be relatively swift.

Western Managers: Strategic Goals



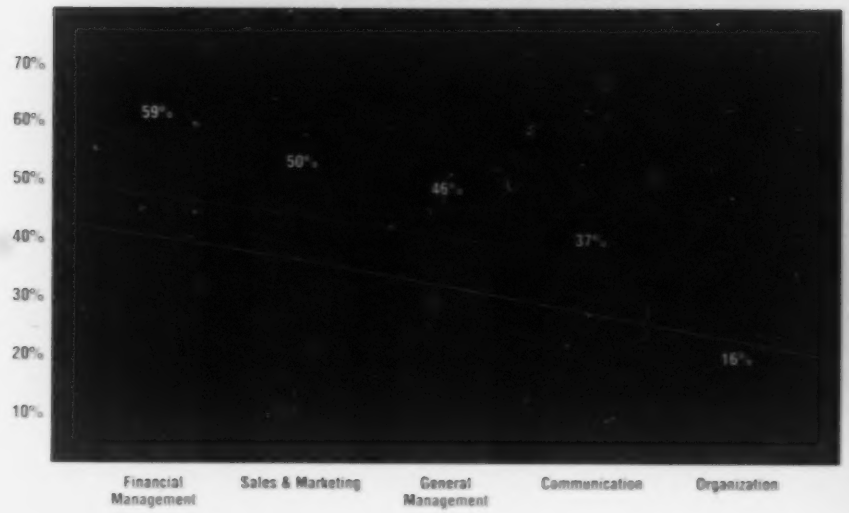
Eastern Managers: Strategic Goals



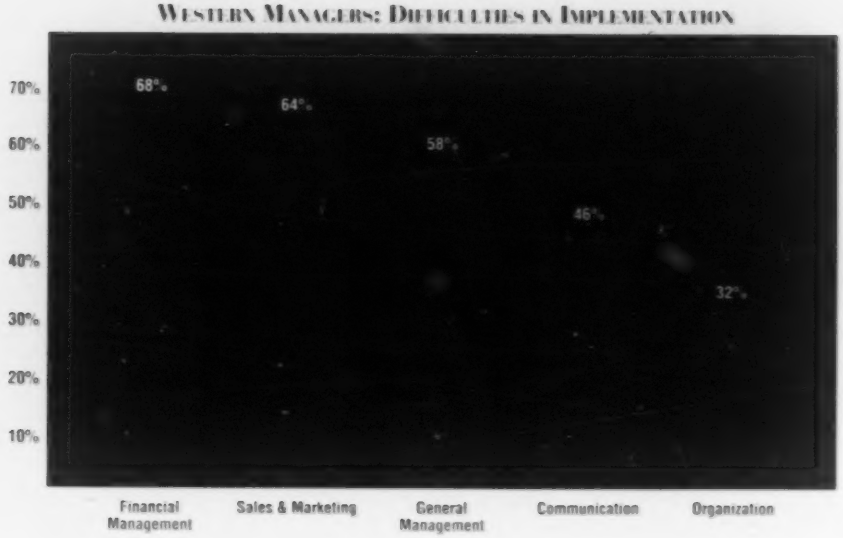
Local managers, however, tended to emphasize goals less rapidly achieved: building up the company's management infrastructure and assuring long-term stability.

Local Expectations: According to the Western managers interviewed, local partners expected them to provide management know-how in financial management first and foremost. Few local partners expressed a desire for basic organizational expertise.

Western Managers: Local Expectations



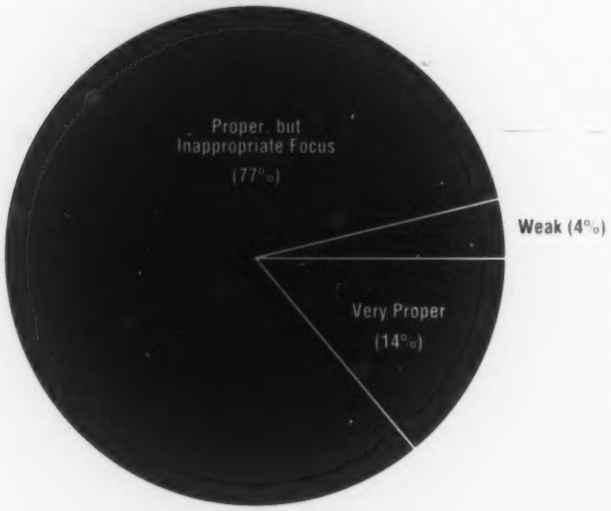
Western Managers: Difficulties in Implementation



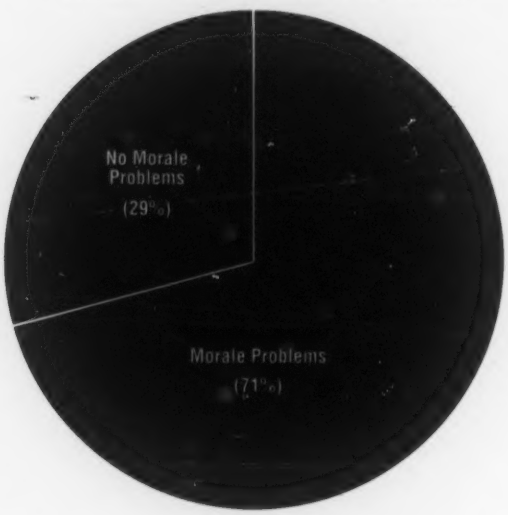
Difficulties in Implementation: But Western managers found it difficult to provide the know-how that Eastern managers wanted. To varying levels, they reported roadblocks in the implementation of many management practices.

What accounted for these difficulties? Only 14 percent of Western managers considered that their Eastern partners were properly trained to perform the tasks at hand. Most thought that while their local colleagues had a firm educational background, their experience was not appropriate to their necessary responsibilities.

Western Managers: Grading Professional Training of Eastern Managers



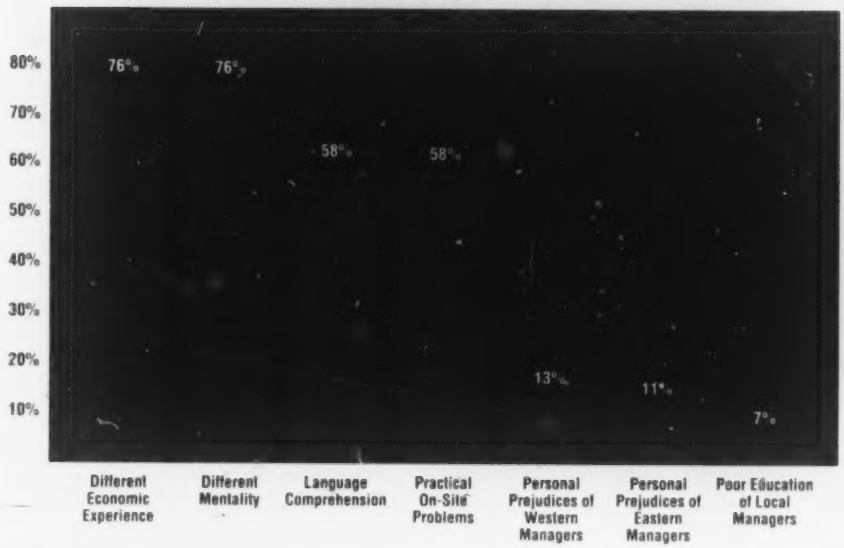
Western Managers: Evaluating Morale Problems Among Eastern Managers



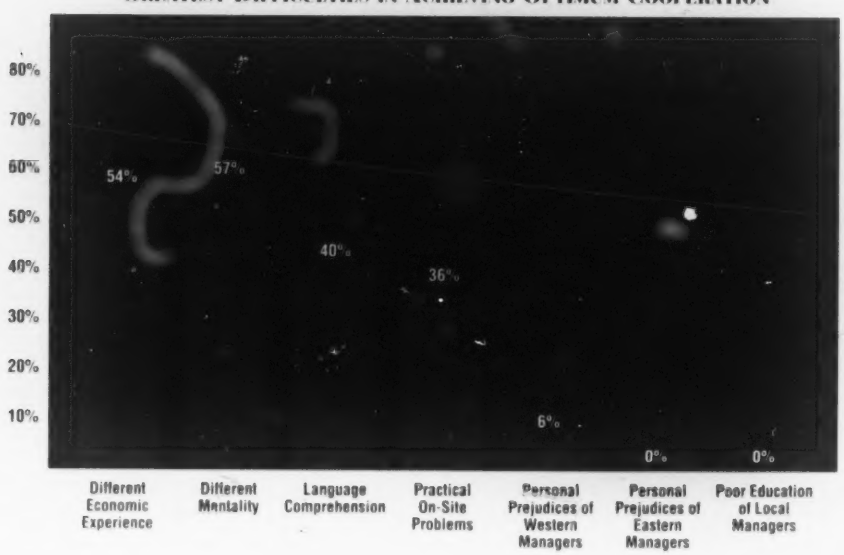
Moreover, the economic and organizational problems that were the legacy of the post-war years had created problems in workforce morale. Nearly three-quarters of the Western managers interviewed reported workplace morale problems among their local partners.

Difficulties in Cooperation: Eastern and Western managers agreed that differences in the economic experiences of the two blocs, and the differences in personal mentalities spawned by those experiences, presented the greatest roadblocks to achieving optimum cooperation. However, Western managers mentioned difficulties more frequently. The implication: Western managers were more daunted by these problems than their Eastern colleagues.

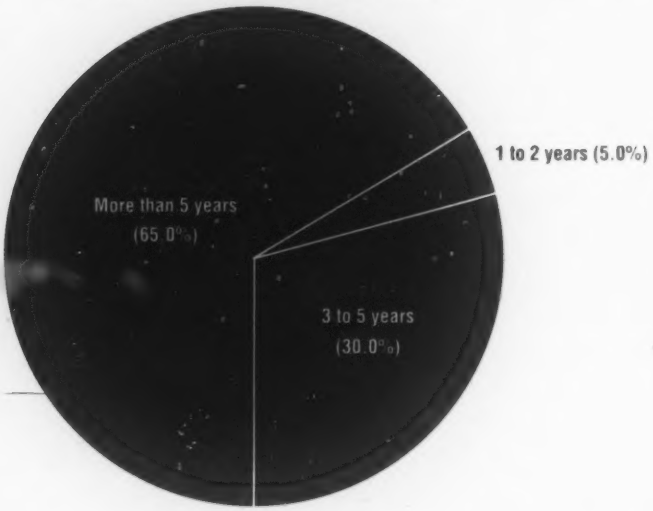
Western Managers:
Greatest Difficulties in Achieving Optimum Cooperation



Eastern Managers:
Greatest Difficulties in Achieving Optimum Cooperation



Western Managers: Period of Time Necessary to Eliminate Difficulties



Eastern Managers: Period of Time Necessary to Eliminate Difficulties

Yet despite their more frequent citings of these roadblocks, Western managers were far more optimistic about their ability to overcome the difficulties. While every single Eastern manager interviewed thought that it would take a minimum of five years to eliminate these difficulties, a third of the Western managers foresaw a shorter timetable.

In summarizing the lengthy H. Neumann International report, Dr. Loth listed these significant conclusions:

- In the companies studied, the first phase of the transfer of management know-how has been completed. On a theoretical level, many local managers have acquired the relevant skills. On a practical and everyday level, their effective implementation is still to be achieved.
- The range of problems related to decision making requires a new approach, a new mentality, and new priorities from both sides. Western managers think that their East European colleagues are too indecisive in this respect, while the latter are at the same time demanding that Western managers give them more opportunity to exercise authority.
- There is an obvious correlation between the opinions of Western and East European managers concerning the problems resulting from cultural differences and differences in mentality and their possible solution. While considerable harmony prevails, much greater effort must be expended to acquire a true understanding of the other's mentality and cultural background. Special training programs are vital in this respect.
- A compromise is in view: having acquired a working knowledge of local conditions, Western managers are now ready to understand, accept and incorporate them into their business strategies and tactics. On the other hand, East European managers have ceased to base their every thought and action on consideration of local circumstances.

For more information about the H. Neumann International report, we invite you to contact:

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Telephone: 43-1-588-32-0
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About this Survey

Under the direction of Dr. Tomas Toth, H. Neumann International Management Consultants interviewed 135 Western managers and an identical number of local managers in joint ventures operating in Hungary (50 firms), Czechoslovakia (50), and Poland (35).

The Western managers worked in ventures belonging to the following business sectors:

	Hungary	Czech	Poland	Total
■ Investment Industry	30%	15%	0%	17%
■ Services	30%	0%	20%	16%
■ Trade	15%	0%	30%	13%
■ Consumer Goods	0%	30%	0%	11%
■ Banking	0%	5%	15%	6%
■ Consultancy	20%	25%	0%	17%
■ Production	0%	0%	30%	8%
■ Other	5%	5%	5%	5%

The Western managers interviewed held the following positions:

	Hungary	Czech	Poland	Total
■ Managing Director	70%	70%	70%	70%
■ Office manager	20%	20%	15%	19%
■ Shareholder, Managing Dir.	10%	10%	10%	10%
■ Senior Officer	0%	0%	5%	1%

While the interview material and statistics provided in this report were gathered by H. Neumann International, the selection of data and the comments and conclusions based upon the survey findings are the responsibility of AMA Research.